

Walmart Inc (WMT)

Consumer Staple – Grocery Retail

November 19, 2023

Stock Rating

SELL

Investment Thesis

Walmart Inc is one of the world's largest retail chains that operates more than 10,500 stores worldwide. The Company serves 240 million people worldwide every week and are dedicated to the motto, "save money and live better¹." Although Walmart serves 240 million people daily and is a world leader in retail, we are recommending a sell with a target price of \$150 to \$160, a downside of 3.44% to an upside of 3.41% as of November 16 close.

Drivers of Thesis

- Consumers are being forced to decide between discretionary items and necessities²¹. As consumers continue to be pinched, necessities will likely be chosen over discretionary items.
- Retail sales data released November 15, 2023, showed that sales were down 0.2% MoM²³. A decline in sales along with declining consumer confidence will likely force consumers to trade down or push purchases into the future.
- Retail is a slow growing industry with low margins. Walmart is no exception to this despite being one of the biggest players. Combining an already low expected net margin of 2.32% in 2024 with increasing concerns about input costs could be trouble in the short run.

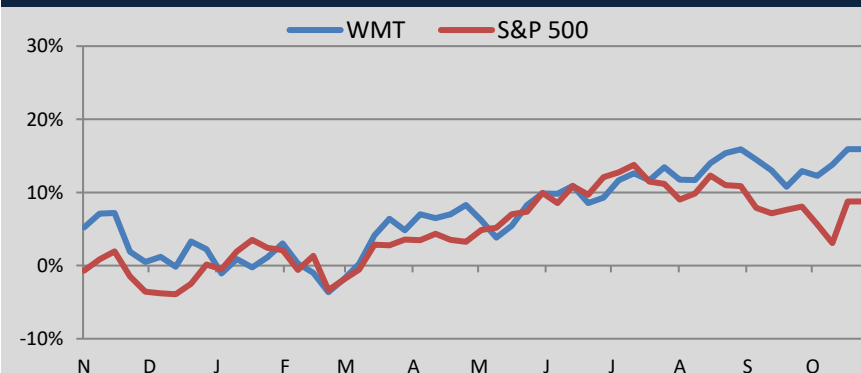
Risks to Thesis

- Walmart is one of the biggest retailers in the world and can make improvements smaller players might not. The Company has partnered with Symbiotic to utilize automated robotics in 42 warehouses in the United States⁵, which could improve margins quicker than anticipated.
- In Q3, 2023, Chinese sales improved 25% QoQ²². WMT's strong international presence could offset weakness in the United States.

Earnings Estimates

Year	2021	2022	2023	2024E	2025E	2026E
EPS	\$4.77	\$4.90	\$4.29	\$6.47	\$7.07	\$7.76
HF est.				\$6.32	\$7.07	\$8.36
Growth	-8.62%	2.73%	-12.45%	47.20%	12.02%	18.21%

12 Month Performance



Target Price

\$150-160

Henry Fund DCF	\$161
Henry Fund DDM	\$162
Relative Multiple	\$118

Price Data

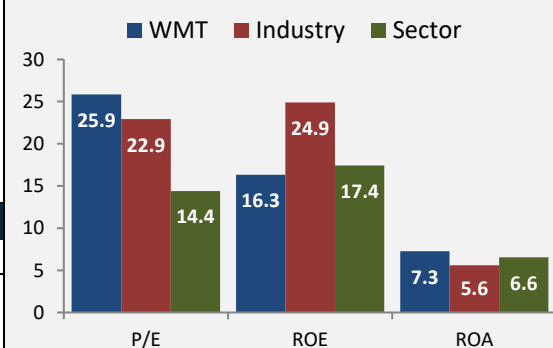
Current Price	\$155
52wk Range	\$136 – 166
Consensus 1yr Target	\$169

Key Statistics

Market Cap (B)	\$443.2
Shares Outstanding (M)	2,693
Institutional Ownership	34%
Beta	0.55
Dividend Yield	1.4%
Est. 5yr Growth	7.2%
Price/Earnings (TTM)	25.9s
Price/Earnings (FY1)	22.4
Price/Sales (TTM)	0.7
Price/Book (mrq)	5.3

Profitability

Operating Margin	4.53%
Profit Margin	2.23%
Return on Assets (TTM)	7.26%
Return on Equity (TTM)	19.74%



Company Description

Walmart was officially founded in 1962 by Sam and James Walton. Over the past 60 years, Walmart has transformed itself into the most well-known retail chain in the United States and has expanded to 18 other countries. WMT continues to innovate by making strategic acquisitions and partnerships, expanding offerings, and keeping prices low and focusing on consumers. As well as operating Walmart chains, the Company also operates Sam's Club, a paid membership store¹.

COMPANY DESCRIPTION

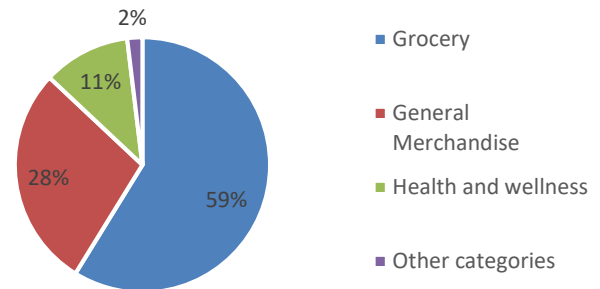
WMT is one of the largest companies in the world with revenues of \$605 billion in 2023. In 2023, Walmart reported three different segments, Walmart US, Walmart International, and Sam's Club. Although the Company has incredible sales numbers, retail is not a particularly high growth sector, and it is known for having very low margins. This is shown by WMT's 1.91% net margin in 2023. As the Company continues to make strategic partnerships and investments, this margin could improve, but there is little pricing power in the goods sold, leaving margin improvements in cost cutting measures.

Walmart US

Walmart US is the Company's largest segment and made up 69% of revenues in 2023¹. Walmart US primarily does business in three segments, grocery, general merchandise, and health and wellness. Grocery made up most of the United States revenue at 59%. This segment is exactly how it sounds, it is WMT's full line of grocery items. General merchandise comprised 28% of United States revenue and includes entertainment items, hardlines, apparel, and home. Health and wellness comprised 11% of revenues and includes pharmacy services, optical services, clinical services, over-the-counter drugs, and other medical products. The Company also reports an "other" category that includes advertising, supply chain and fulfillment services to online sellers, and various other services. We believe that Walmart US will be the slowest growing of the three reportable segments.

Worldwide, Walmart operates 10,623 stores², including stores in all 50 states. The supercenters and discount stores provide general merchandise and grocery services. neighborhood markets provide only grocery products. Walmart provides consumers with an omni-channel experience that includes pickup and delivery, in-home delivery, ship-from-store, and digital pharmacy options. As of FYE '23, the Company had more than 4,600 pickup locations and more than 3,900 same-day delivery locations.

WMT '23 Rev



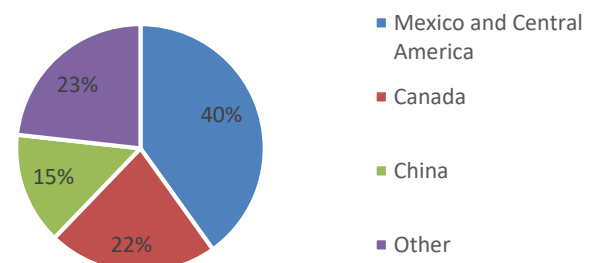
Source: 10k

Walmart International

Walmart's international segment was the second largest segment that comprised 17% of revenues in 2023. WMT operated in 19 countries outside of the United States, with the largest being Canada, Mexico, and China. The format mix internationally is different than in the United States. The formats internationally include supercenters, supermarkets, hypermarkets, warehouse clubs, and cash & carry. The reasoning behind having a vastly different model than the United States is to ensure that stores are locally relevant and customer-focused in each of the markets it operates.

The merchandising strategy is like that of the United States in what is offered and the breadth of offerings. Brand names make up a majority of merchandise revenue, but US private brands as well as specific developed market brands. The goal remains the same, to provide high-quality, low-priced items.

WMT International Rev '23

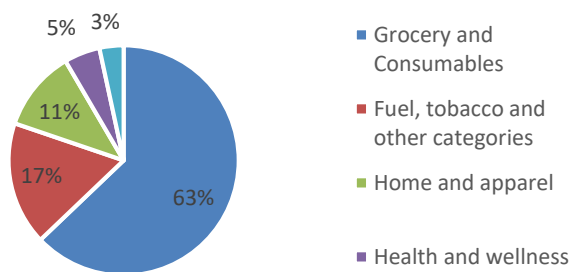


Source: 10k

Sam's Club

In 2023, Sam's Club made up 14% of total revenues. Sam's Club is a membership only warehouse club that operates in 44 states and in Puerto Rico. The items at Sam's Club are generally bulk items as well as other merchandise including home and apparel, health and wellness, and fuel. There are two membership options that consumers can choose from, Plus and Club. The cost of a Plus membership is \$110 and the cost of a Club membership is \$50. Sam's Club operates their own private label brand, Member's Mark. If Sam's Club begins to expand internationally where there is population growth, we believe that the segment will become more important. Population growth is a key to Sam's growth due to the purchasing of items in bulk. Countries with larger average family sizes might benefit from having a store like Sam's as it lowers the average purchase price.

Sam's Club Rev '23



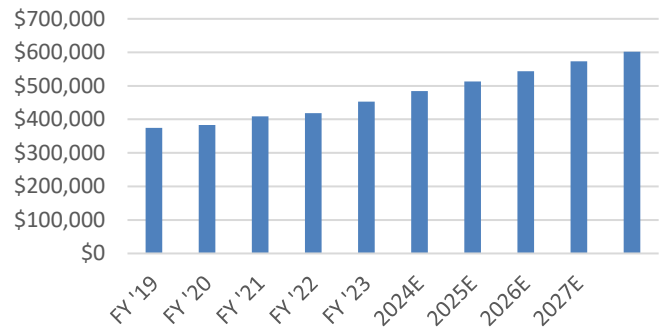
Source: 10k

Cost Structure Analysis

Cost of Sales

In 2023, cost of sales was \$479 billion, or 74% of revenues. This segment includes product cost, cost of transportation, warehouse allowances, and reimbursements for programs such as markdowns. WMT is in a historically low margin business that is difficult to increase widely, especially with the Company's goal to provide consumers with the lowest cost goods. Cost of sales being 74% of revenues is a narrow increase from 73% in 2022. If WMT continues to lower prices to continue competing and inflation persists, this figure could continue to contract.

Cost of sales

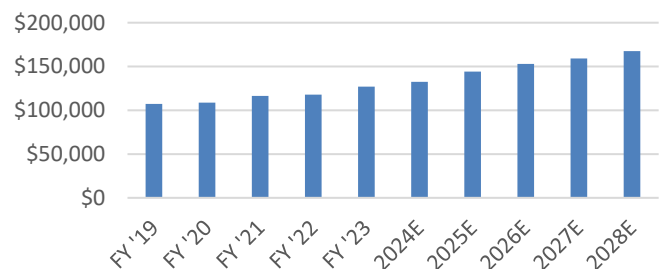


Source: HF Model

Operating, SG&A Expenses

Operating, SG&A expenses were 21% of revenues in 2023, leading to net margins of 1.91% for the Company. Advertising costs, and the majority of warehousing and occupancy costs were recorded in this category. As WMT continues to utilize AI to determine the optimal mix of goods to be warehoused in specific locations, it is fair to assume that shrinkage will fall, and these costs will begin to fall. A fall in these expenses might be able to offset increases in cost of sales.

Operating, selling, general & administrative expenses



Source: HF Model

Additional Company Analysis

Flipkart

In 2018, Walmart signed an agreement to become the largest shareholder in an Indian company, Flipkart. The Company paid \$16 billion for roughly 77% of Flipkart. Flipkart was founded in 2007 and is a leader in India's eCommerce growth. The Company utilizes AI and a

powerful technology foundation and has become a leader in electronics, large appliances, mobile and fashion and apparel³. WMT expects the eCommerce market to grow four times as fast as the overall retail. The Flipkart investment has been beneficial for WMT in one of the largest growth markets in the world. Flipkart also provides affordable healthcare via Flipkart Health+.

In 2023, Walmart bought out Tiger Global and Accel's stake in Flipkart for more than \$1.4 billion⁴. Walmart expanding their ownership in Flipkart shows that the Company is dedicated to growth in the Indian market. Currently, these revenues do not make up a significant portion of overall revenues.

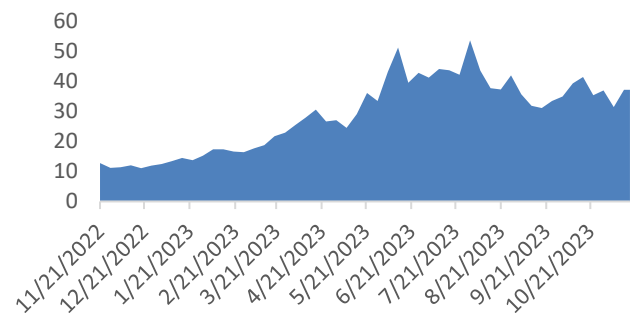
Symbiotic Investment

Symbiotic is an AI-powered supply chain technology company. In 2022, WMT disclosed that they held an 11% stake, or 15 million shares, in Symbiotic (SYM)⁵. The two companies have formed and increased a partnership in WMT's warehouses. The expanded partnership has implemented Symbiotic's robotics and software automation in all 42 of Walmart's regional distribution centers. The technology allows Walmart to get goods to stores faster, increase inventory accuracy and makes material handling easier and safer⁶.

Symbiotic utilizes fully autonomous robots and AI to handle inventory in warehouses and ensure accuracy. With this partnership, Walmart will likely see costs being lowered as inventory costs will be lowered and there will be less warehouse workers needed. As WMT and Symbiotic continue this partnership and WMT owns a large stake, it is likely to continue to pay off especially as AI and automated robotics continue to improve. Forming a partnership with a company rather than investing billions in developing the technology will likely be beneficial for Symbiotic and Walmart. An investment from Walmart

gives Symbiotic credibility and Walmart benefits from them investing in increasing capabilities.

SYM Price Chart



Source: Yahoo! Finance

Walmart+

Walmart+ is Walmart's membership that gives users certain benefits and integrates in-person and online shopping. Some benefits include cheaper fuel, free delivery, mobile scan & go and a Paramount+ membership⁶. There are two options for membership, a monthly cost of \$12.95 or an annual cost of \$98. This costs undercuts Amazon Prime but does not include as many benefits as Prime. As a Walmart+ member, users get same day grocery delivery, eliminating the need for 3rd party apps such as Instacart. While Walmart does not specifically breakdown Walmart+ figures, it is estimated that there are roughly 59 million subscribers⁷. This still does not come close to Amazon Prime's dominant 182 million subscribers. Competing with Amazon Prime, Instacart, and other online retailers and convincing consumers to add yet another subscription service will likely be Walmart+'s biggest struggle going forward.

Divestitures

Over the past three years, Walmart has made divestitures to ensure that their portfolio is properly set up for long-term growth. In 2020, Walmart divested their Argentinian operations. Given Argentina's recent rampant inflation and other problems, this divestiture appears to have been a good move for growth. In 2022, the Company divested Asda in the United Kingdom for a net sum of \$9.6 billion and recorded a pre-tax loss of \$0.2 billion¹. In FY 2021, the United Kingdom segment comprised nearly 25% of international revenue. This was a major exit, and the Company has yet to regain the lost revenue in other

international markets. As well as exiting the UK, WMT divested a majority stake in Seiyu, which was the retail operation in Japan. WMT divested their ownership for \$1.2 billion and recorded a \$0.2 billion loss. The Company has maintained a 15% interest in Seiyu as an equity investment¹.

Debt Maturity Analysis

Walmart has a relatively heavy debt load with over \$10 billion coming due in the next 2.5 years. In recent years, WMT has been spending cash on PPE and strategic investments and partnerships. In 2021, the Company had \$17.7 billion in cash and in 2023, they reported a cash balance of \$8.6 billion which represents a decline of 51%. Although WMT has seen a drop in cash, we expect this trend to reverse, and the Company will continue to be able to generate enough cash to pay off debt as it becomes mature. We do not envision Walmart will need to refinance debt, especially at the current higher interest rates.

Five-Year Debt Maturity Schedule

Fiscal Year	Coupon (%)	Payment (\$mil)
2024		\$4,191
2025		3,516
2026		2,604
2027		2,737
2028		1,817
Thereafter		23,975
Total		\$38,840

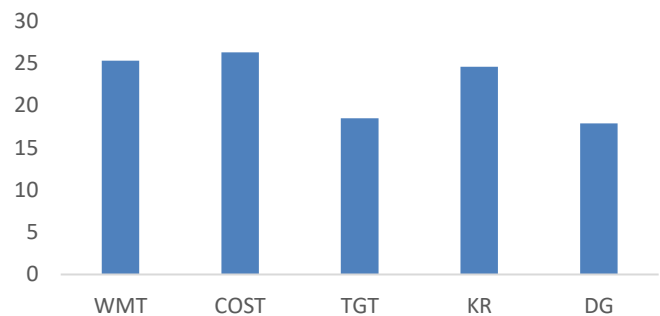
Source: 10k

ESG Analysis

Walmart has an ESG score of 25.3⁸. The Company has four main priorities, opportunity, sustainability, community, and ethics & integrity. WMT aspires to make retail a place of inclusive and equitable opportunities, which is evident by average starting hourly wages ranging from \$15.25 to \$23.25, depending on the segment. The Company also partners with Historically Black College and Universities (HBCU) to provide a diverse recruiting and talent pool. Walmart is also dedicated to investing in American manufacturing and the creation of jobs in the United States. There is a commitment to purchase \$250 billion of products made, grown, or assembled in the United States in 2023 as well as spend \$350 billion over 10 years. This expenditure is expected to create more than 750,000 US jobs⁹. When compared to peers, WMT has the second

highest ESG score. Considering ESG is not a value driver, we did not include any ESG assumptions into our model.

ESG Scores



Source: Sustainalytics

RECENT DEVELOPMENTS

Recent Earnings Announcement

Walmart reported Q3 earnings on November 16, 2023. The Company beat EPS by 0.39% and on revenue by 0.59%. Each revenue segment saw growth, with international stores leading the way at 5.4%. This growth was led by Walmex and China stores. eCommerce also saw big growth, with each segment growing double digits. Walmart US saw growth of 24%, Sam's saw 16% growth, and international growth was 15%²¹. As eCommerce continues to grow and Walmart continues building out infrastructure and gain Walmart+ members, this revenue will likely continue to see strong gains in online sales.

Although sales were up, the CEO, Doug McMillon, noted that Walmart could have done a better job in managing expenses. In the United States, pricing levels in many food categories continue to be a concern, leading to higher products cost compared to last year. Although food prices are still a concern, general merchandise prices have been coming down, allowing WMT to lower prices and drive in more consumers²¹. The Company expects margins to move higher over the next few years as the supply chain is modernized and higher-margin growth initiatives are scaled. If Walmart continues to expand the partnership with Symbiotic overseas and to Mexico, international margins would likely be a beneficiary of this. Some examples of the higher margin initiatives are utilizing the omni-channel mix of sales, growing advertising revenue, and growing membership revenues.

Although the quarter was strong, some shaky guidance was given about the health of the consumer. Management stated that there have been trade-offs with consumers, and consumers are being forced to choose between discretionary items and necessities. Along with these tradeoffs, there has been more variability in sales, leading to more caution. Despite these worries, WMT raised full year sales guidance to 5-5.5% compared to 4-4.5% previously²¹.

Supply Chain Disruptions

In 2020, the COVID-19 pandemic eviscerated supply chains and caused major disruptions. So far in 2023, there has been continued inflation and geopolitical tensions. It appears the China and US relationship has improved slightly this year, with Xi Jinping recently meeting with Joe Biden in San Francisco. During this meeting, Taiwan tensions were likely discussed. If China were to perform military action on Taiwan, supply chains to the United States would likely be hurt. Supply chains being hurt could result in a shortage of inventory, renewed high inflation, and even longer lead times. Each of these factors would hinder WMT's margins. WMT has been efficiently managing inventory, however. In Q3, the Company finished down 1.2% in inventory²¹.

Healthy Eating and Weight-loss Drugs

Consumers are constantly searching for ways to eat better and lose weight. Healthy eating and weight-loss drugs both are forecasted to be massive markets by 2027. The global plant-based food market is projected to reach \$74.2 billion by 2027¹⁸. WMT is very well positioned to take advantage of this trends as there is a strong world-wide presence. Whether changes in consumer behavior due to GLP drugs can be considered healthy eating could be debated. Regardless of how the drugs are viewed, WMT is already seeing differences in trends from consumers. In a recent interview, WMT's US CEO, John Furner, stated that Ozempic is making consumers buy less calories and lower unit volume. By 2032, the weight-loss drug market is expected to more than double from \$34 billion to roughly \$71 billion²⁰. Walmart is well positioned to take advantage of the drug market due to the in-house pharmacy's that are offered. With WMT being a one-stop shop for everything, consumers can buy their drugs and food all in the same place. Due to consumers eating less, producers might start producing smaller serving sizes of packaged goods.

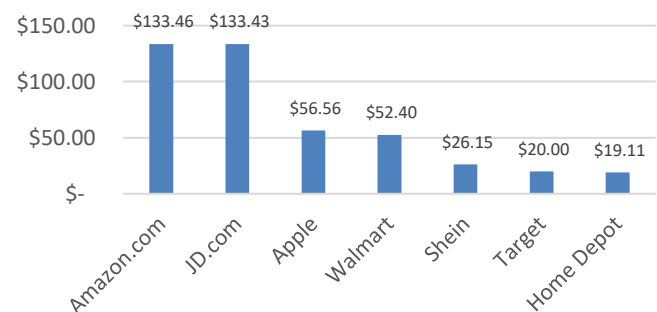
INDUSTRY TRENDS

The retail industry in general is a slower growth sector as there is lots of competition as well as homogenous products. Some trends shaping the industry are the growth in e-Commerce, technological improvements, and grocery delivery growth. Companies will have to be able to stay on top of these developments if they want to stay relevant or come to relevance and compete with large companies.

e-Commerce

In general, consumers desire ease of accessibility for products and services they consume. Since the COVID-19 pandemic, e-Commerce has gained popularity and has seen improvements in offerings and shipping times. Virtually every business must have an online presence to stay relevant and reach as many consumers as possible. Before the pandemic, e-Commerce made up 13.8% of worldwide retail sales¹¹. It is expected that this figure will jump to 23% by 2027. With nearly a quarter of retail sales expected to be online, companies must expand the capabilities of omni-channel offerings. This will be easier for large companies that can form large partnerships with shipping services and can generate more advertising revenue, potentially offsetting some costs.

Top e-Commerce Net Sales '22 (b)



Source: Statista

Tech Improvements

Technological improvements can make businesses more efficient and better fit consumer needs. Utilizing e-Commerce and other technologies such as AI and virtual reality (VR) can help consumer satisfaction. As VR becomes more advanced and prevalent, stores are now able to allow consumers to try clothes on virtually or place an item in their room to see how it looks. Utilizing AI will also allow

businesses to better stock stores with products that consumers desire, rather than having mediocre products taking up valuable shelf space. Walmart has already started utilizing this with the partnership with Symbiotic. Utilizing AI can be confusing and can be expensive.

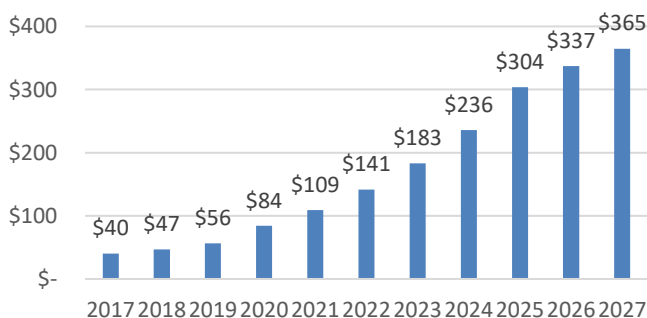
Custom AI solutions can cost anywhere from \$60,000-300,000, depending on how it is used and who is making it. 3rd party software is a much cheaper option ranging from \$0-40,000¹⁷. With these exorbitant costs, powerful AI tools could be restricted to big retailers that have the cash to do so. As the cost comes down, it is more conceivable that smaller retailers will also start to use AI.

As retailers continue to adapt by using AI and VR, smaller shops will likely struggle to keep up with big names that are well capitalized. If small shops struggle to keep up, major stores might gain market share and continue to thrive, especially as the economy recovers. Many stores are already utilizing contactless payment, so these capabilities likely will not be a major disruptor in the future.

Grocery Delivery

The COVID-19 pandemic disrupted virtually every industry and forced companies, and the world, to adapt. Grocery retail was no exception. As consumers were forced to, or chose to, stay at home, delivery options were an attractive option. In 2019, grocery delivery revenues in the United States were \$56 billion. This figure skyrocketed 49% to \$84 billion in 2020 because of the pandemic. As of 2022, total revenues were \$141 billion. By 2027, the market is expected to reach \$365 billion, representing a CAGR of 18.5%. As WMT continues to expand delivery service and infrastructure, they should be well-positioned to take part of this growth. However, there is competition from delivery apps such as Instacart, DoorDash and Amazon.

US Grocery Delivery Market (b)



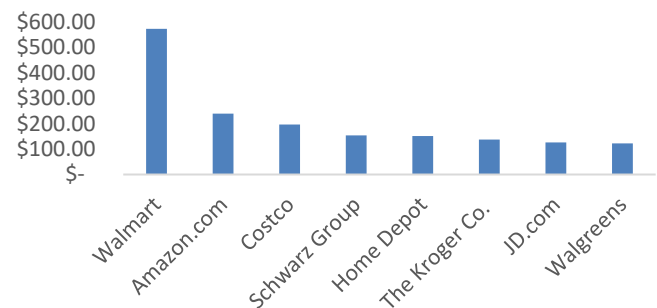
MARKETS AND COMPETITION

Walmart is in an incredibly competitive industry. As a retailer of many goods and services, there are multiple companies that specialize in specific areas that might be able to better serve consumers. Although there are specialized retailers, WMT being a “one-stop shop” helps drives in consumers. Offering everyday low prices and multiple brands might also make consumers choose WMT over specialized retailers.

Peer Comparisons

When it comes to sales, Walmart was the leading worldwide retailer by a large margin. Walmart’s sales of \$572 billion in 2021 was over double that of Amazon’s \$239 billion. This dominance has helped Walmart transform itself into a company that consumers recognize as a leader in low-cost everyday items. This goal and recognition has helped the company maintain dominance.

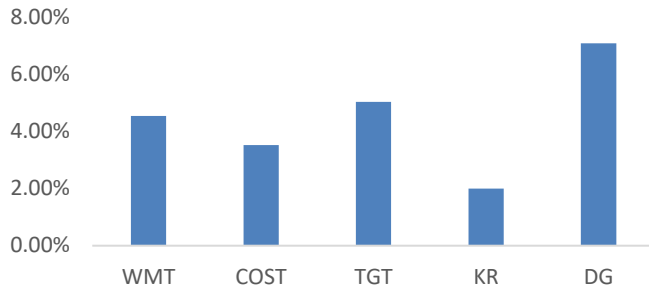
Leading Retailers WW '21 (\$b)



Source: Statista

Although WMT is the world’s largest retailer, the margins were in the middle of the pack for the selected peer set. Over the last trailing twelve months, WMT had an operating margin of 4.53%. This is not bad considering retail is notorious for low margins and high competition. We expect that WMT will be able to raise this figure and be even more competitive, although competitors might also utilize some of the same strategies as WMT to grow margins.

Operating Margin (ttm)

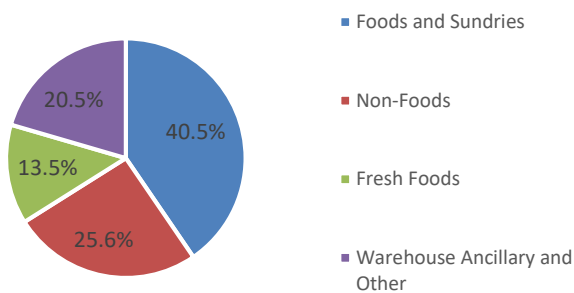


Source: Yahoo! Finance

COST

Costco is a retailer that operates 861 stores in 15 countries. The business model is similar to that of Sam's Club, a membership warehouse club. In 2023, COST had 127,900 members, a growth of 7.5% from 2022. Costco competes directly with Walmart and Sam's Club in every category from grocery to electronics. Margins are also comparable to WMT, coming in at 2.65% in 2023¹². COST is also well-known for their food court, although it is not a major revenue driver, it keeps customers coming in and keeping them happy. In 2023, Costco derived 73% of revenues from the United States, 14% from Canada and the rest from various other countries. COST requires membership for entry, so we expect that Sam's Club will be the part of Walmart's revenue that would be hurt from the competition of Costco.

COST '23 Rev



Source: COST 10k

CART

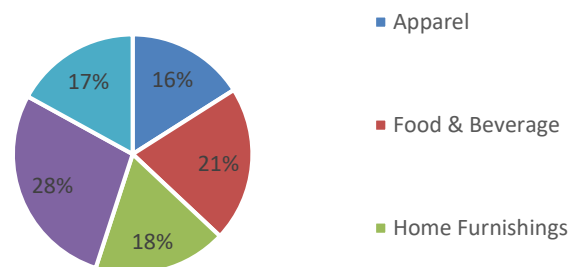
Instacart just recently went public, debuting September 21st at \$30 per share. The Company has a diversified

business model, providing delivery services to consumers, advertising services to stores, and receiving a fee from each store that posts on the app. CART contracts with retailers to have their goods available for search, selection, and purchase. CART receives a percentage from each order that is placed. The Company also employs employees that strictly perform in-store shopping duties such as picking orders and do not make any deliveries. Delivery drivers that pick and deliver orders are contract employees. In the 9-month period ended September 30th, CART had revenues of \$2.2 billion and operated at a loss of \$1.8 billion. CART directly competes with Walmart's expanding grocery delivery business and would also charge to have their offerings on the app. With WMT having far more capabilities and credibility than CART, Walmart might be able to maintain or take market share from CART, and they are worth monitoring.

TGT

Target is a retailer that operates 1,948 stores in all 50 states with no international presence. Not having an international presence has potential downsides, such as geographic risk of relying on the health of the United States consumer. If the economy in the United States deteriorates, it is a fair assumption that TGT will take a hit. TGT competes with WMT in virtually every category but owns some recognizable brands such as Goodfellow & Co, Market Pantry, and Room Essentials. This is one way that TGT differs from WMT. Another way is that 28% of revenues come from beauty and household essentials. In 2022, TGT reported net margins of 2.6%, representing a decline of 4% from the previous year. TGT will continue to be a big competitor to WMT, especially due to not facing currency exchange risk, which has been a major factor to international firms over the past 2 years.

TGT Rev '23

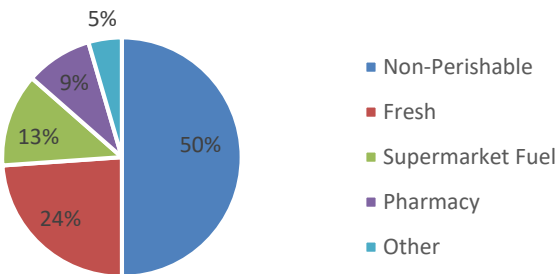


Source: TGT 10k

KR

Kroger is one of the largest grocery retailers, operating 2,719 supermarkets in 35 states. Like Walmart, Kroger strives to deliver consumers everyday low prices. The Company also entices consumers by having stores with fuel centers. 1,637 stores had fuel centers in 2022. In 2022, non-perishable items made up 50% of KR revenues, a decline from 53.9% in 2020¹⁵. Due to a large portion of revenues coming from grocery items, KR had a net margin of 1.5%, 100 bps lower than WMT. KR is arguably Walmart's biggest competitor in the grocery space, although they only operate in 35 states with no international presence. If KR expands into more states, it is feasible that the Company will be a larger threat to WMT and potentially take market share.

KR Rev '22



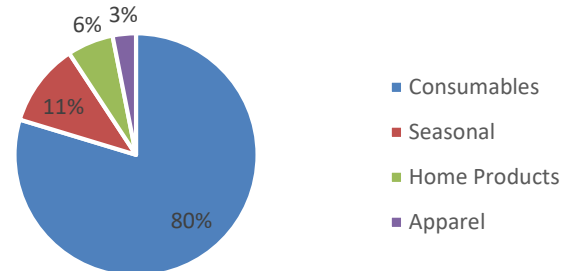
Source: KR 10k

DG

Dollar General is the largest discount retailer in the United States with 19,147 stores in 47 states and Mexico. The offerings from DG include goods from national brands as well as private brands, all of which are priced at substantial discounts. These offerings are generally \$10 or less. Although the items offered are rather cheap, there is usually not as wide of a selection as what would be offered by a Walmart or Kroger type store. Another differing factor of DG stores is that they are typically small-box stores rather than large-box stores like WMT. The Company also strategically places stores to make them easily accessible to rural, suburban, and urban communities. In 2022, DG had revenues of \$37.8 billion, and consumables made up 80% of these sales. Having such a high concentration in one category could be a potential risk factor in the future for the Company. Although DG has very low prices, the Company reported net margins of 6.4% in 2022, nearly 4%

higher than WMT. WMT and DG operate in similar markets and if the United States heads into a recession, the Company might get a boost as consumers trade down and cut costs anywhere possible.

DG '22 Rev (000's)



Source: DG 10k

ECONOMIC OUTLOOK

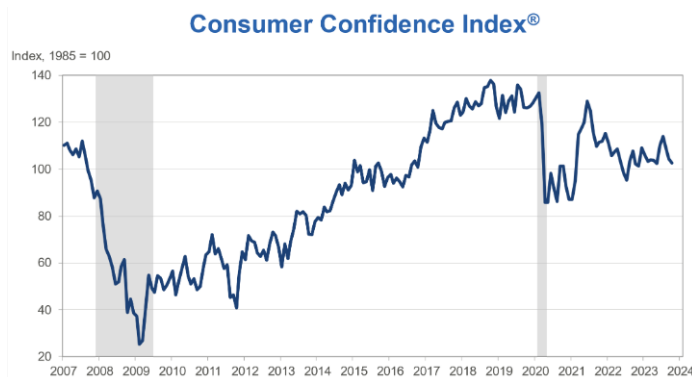
Personal Consumption Expenditures

The Personal Consumption Expenditures index is the Federal Reserves preferred gauge of inflation and how they make rate decisions. In September, the PCE rose 3.4% compared to a year ago, which is still well above the target rate of 2%. The index increased 0.4% MoM, with the biggest increase in energy prices being 6.1%. Food and beverage purchased for off-premises consumption increased at a lesser rate of 0.2%⁶, which hinders Walmart. The impact of food prices being high has been noted as a risk factor for the rest of 2023 by management. We believe that inflation will be stickier than anticipated and still needs more time before prices begin to fall. As the PCE remains elevated, consumers might begin to pull back purchases on discretionary items. This would lead to a softer Q4 for WMT, which is generally the best quarter for retailers. Perhaps consumers will continue to spend through the holiday season then begin to hold off on discretionary items.

Consumer Confidence Index

The consumer confidence index was upwardly revised in September to a reading of 104.3. Although the index was upwardly revised, it fell in October. The index fell to a reading of 102.6. Interestingly, the decline in confidence of consumers was the most prevalent in householders aged 35 and up. This is worth noting because workers at age 35

are generally on an upward path of income, nearing the peak of earning potential, but are still getting squeezed. Responses showed that the increases in gasoline and grocery prices were on the top of consumers' minds. Both being elevated impacts WMT due to the main business being groceries and the offering of gas at certain locations. Although average gas prices have been falling lately, grocery prices have remained elevated. It is a fair assumption that the index will continue to fall especially as consumers are getting more concerned with geopolitical risks.²³ Similar to the PCE being elevated, consumers might continue to pull back on discretionary spending, as noted in Walmart's earning call.

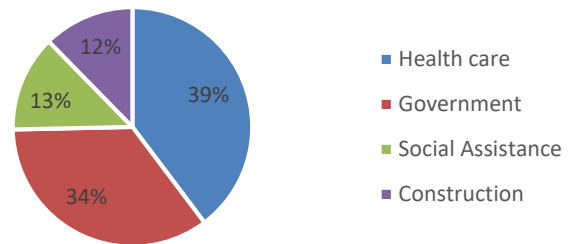


Source: Conference Board

Unemployment

October's unemployment figure was reported on November 3, and rose slightly to a reading of 3.9%. Total nonfarm payroll employment rose by 150,000 with the largest gains in health care, government, and social assistance. Construction employment also continued to rise, adding 18,000 jobs. These sectors made up 71% of the total jobs added. Health care and government jobs made up 73% of the total jobs created²⁴. It is interesting to see the percentage of construction jobs added was 12%. This could indicate that there could be a pickup in construction activity in the near future, which could be a bullish signal for the economy and help revive consumer confidence. We believe that the unemployment rate will rise over the next six months, due to it lagging the rising Federal Funds rate increases. As the unemployment rate continues to rise, discretionary purchases will likely fall, and confidence will be down. As discretionary purchases fall, WMT will be negatively impacted as consumers either trade down or do not partake in discretionary spending.

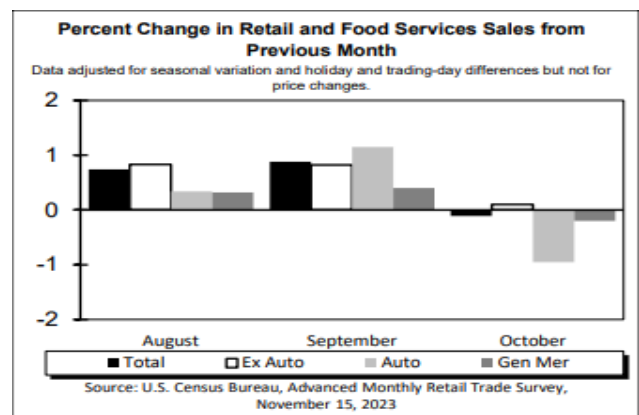
of Jobs Added (000's)



Source: BLS

Retail Sales

October's retail sales numbers were reported on November 15 and were down from the previous month. The drop was adjusted for seasonal variation, holiday, and trading day differences. The number was down 0.2% from the previous month, but up 1.6% compared to last year. General merchandise fell more than the total figure, falling about 0.3%. Going into the holiday season for retail, this number should be going the other way, and rising. A falling number could indicate that consumers have indeed been skipping discretionary purchases and only buying necessities. This impacts WMT's general merchandise category, but the grocery category might fare better due to being known for having low price items. Increase grocery sales has lower margins compared to general merchandise, but if WMT sees enough of a volume increase, it could offset softer discretionary spending.



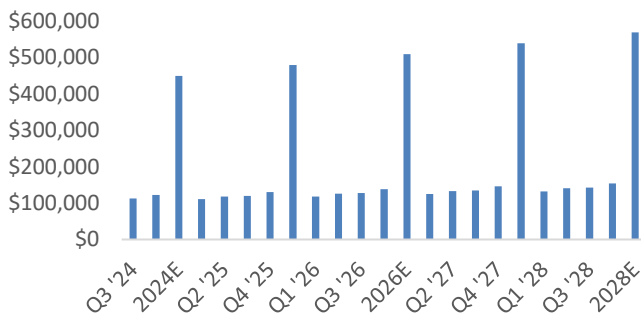
Source: Census Bureau

VALUATION

Revenue Assumptions

To forecast revenue, we broke down sales per square foot per store style and grew this figure. We forecasted that revenue per square foot would grow 5% per quarter in 2023 then growth would fall in the next few years as more focus is likely to be placed internationally and on membership growth. We expect that growth will fall to 4.5% in 2025, 4.25% in 2026, 3.75% in 2027 and 3.5% in 2028. This represents a CAGR of 6.19%. The retail industry is already very saturated, and Walmart has experienced high growth in the United States already. We see higher growth opportunities in the other business segments.

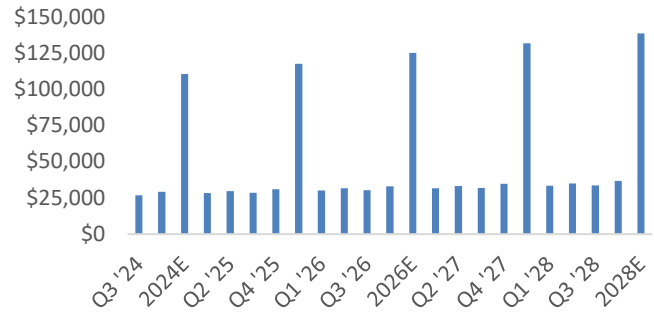
Total US Revenue



Source: HF Model

In 2024, we expect international revenues per square foot to grow 6% and increase each of the next years to 6.25% and 6.5%. By 2027, we expect growth to slow to 5.25% and reach 4.5% in 2028, representing a CAGR of 6.39%. As WMT invests in international with the likes of Flipkart and eCommerce, revenues will benefit nicely. With large countries like India and China being target markets of Walmart, revenue growth could grow even faster than forecasted.

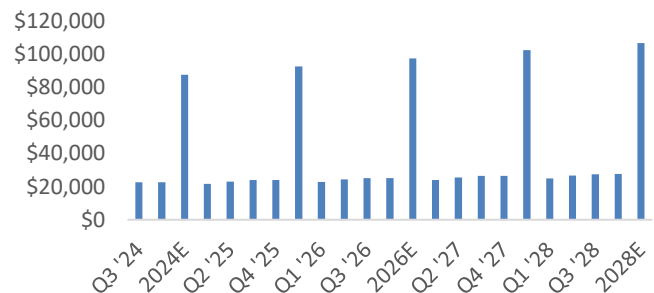
Total International Revenue



Source: HF Model

Sam's Club faces slightly less competition being a wholesale retailer, with Costco being the biggest competitor. We expect that revenues will grow 5.5% in 2024, 5.75% in 2025, 5.25% in 2026 and 5% in 2027 and 4.5% in 2028, CAGR of 6.05%. As consumers begin to recover and membership numbers increase, more consumers will visit Sam's Club and use the other offerings such as fuel.

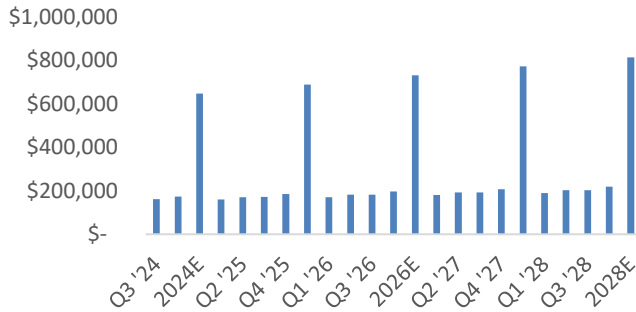
Total Sam's Club Revenue



Source: HF Model

In terms of total revenue, we are expecting growth of 6.8% in 2024, 6.4% in 2025, 6.2% in 2026, 5.6% in 2027 and 5.3% in 2028. Walmart is well positioned and is investing in omni-channel capabilities. A strong presence internationally will likely be a strong driver for revenue growth.

Total Revenues



Source: HF Model

Cost Assumptions

Walmart has already entered a partnership with Symbiotic to introduce supply chain automation. If WMT continues to form partnerships that utilize AI and robotics, costs could continue to fall. There is not much the Company can do to fight the rising costs of grocery items except enter into derivative contracts to hedge price risks.

We expect that the Company will continue to cut costs over the forecast period. In 2024, we expect that the operating margin will be 3.41% and improve to 4.31% by 2028. We also expect the net margin to improve as cost-cutting and high margin projects are undertaken. If Walmart pursues cost cutting measures more aggressively and grocery prices continue to fall, this figure could grow faster and higher. With Walmart's primary revenue being grocery and with a goal of providing the lowest cost to consumers, margins will have limited upside potential. Utilizing AI to ensure that inventory is stored and delivered in the most efficient manner will help reduce shrinkage and improve margins.

As WMT continues to focus on the higher margin projects, as noted by management, margins will improve and potentially faster than projected. Customer acquisition costs will likely cut into eCommerce and membership growth in the near term, but smooth over time.

WACC

The weighted average cost of capital (WACC) was found to be 7.57%. The weight of equity used was 88% and the weight of debt was 12%. The risk-free rate used was 4.95%, which was the yield on the 10-year treasury at the time of the model. The beta used was 0.53, the 5-year monthly

average beta. The pre-tax cost of debt was found to be 5.14%, which was the yield-to-maturity on a 13-year bond. Using these assumptions, the WACC was found to be 7.57%.

DCF

The discounted cash flow (DCF) method produced a price of \$160.54. The value of the operating assets was found to be \$454,257. The following adjustments were made to arrive at a value of equity, ESOP, debt adjustments, equity investments and non-controlling interest. Upon making these adjustments, the value of equity was found to be \$410,011. After dividing by shares outstanding and making the partial year adjustment, the share price was found to be \$160.54.

A similar method was followed for the economic profit (EP) model. The total present value of EP was found to be \$352,287 and the invested capital from the last fiscal year was \$101,970, which gives an operating asset value of \$454,257. The same adjustments were made as the DCF model.

We put an equal weight on the DCF/EP and DDM models for price consideration and believe that it gives a fair price for WMT.

DDM

The dividend discount model (DDM) produced a price of \$161.99, very similar to the DCF/EP model. The key assumptions used were a CV growth of EPS of 2.50%, a CV year ROE of 28.21%, and a cost of equity of 7.6%. We forecasted that WMT will grow the dividend at 3.5% per annum. Currently, the dividend yield is around 1.4%. Considering that WMT pays a consistent dividend and is financially sound, we do not expect them to cut or terminate the dividend over the forecast period. We put equal weight on the DDM and DCF price because they were essentially the same price.

Relatives

For the relative valuation peer set, the same peer set as used above, except for CART. Instacart was not used due to having a negative expected EPS in 2023 but was used in 2024. After making this adjustment, the average P/E was 18.7 in 2023 and 24.2 in 2024. WMT's expected P/E from our model was 35.5 in 2023 and 28.4 in 2024. This led to

implied relative prices of \$118.11 and \$171.13, respectively. This likely infers that WMT is overvalued relative to peers, but we do not believe \$118.11 is a fair value of WMT, so it was not used for price consideration. WMT could reach \$171 by 2024, but we do not believe it is currently worth that much.

KEYS TO MONITOR

We are recommending a sell rating on WMT with a target price between \$150 and \$160, representing a downside of 3% to an upside of 3%. As inflation remains sticky and consumers potentially become more fragile, they will likely slow down on discretionary spending or trade down to lower priced goods.

Tailwinds

- As inflation continues to be sticky, margins will continue to be pressured in the short term. Even as prices fall, WMT will likely have to price goods lower, further hampering margins.
- As retail sales are choppy going into the holiday season, a historically strong quarter might be weaker and more unpredictable.
- Operating in a slow growth industry with low margins will limit the upside of Walmart. Even though WMT is a worldwide leader in retail, it is still extremely competitive and slow growing.

Headwinds

- Walmart has a strong international presence, which can help offset consumer weakness in the United States. With China sales growing 25% in the previous quarter, WMT might continue to capitalize on this growth and beat estimates.
- Walmart has a strong balance sheet and has lots of power to invest in margin cutting projects. As AI and automation continues to be utilized, margins will likely continue to be improved.

REFERENCES

1. WMT 10k
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3. [Flipkart Acquisition](#)
4. [2023 Buyout](#)

5. [Symbiotic Announcement](#)
6. [Walmart+](#)
7. [Walmart+ Subscribers](#)
8. [Sustainalytics](#)
9. [WMT ESG](#)
10. [Grocery Delivery Growth](#)
11. [Worldwide Retail e-Commerce Sales](#)
12. [COST 10k](#)
13. [CART 10q](#)
14. [TGT 10k](#)
15. [KR 10k](#)
16. [DG 10k](#)
17. [AI Cost](#)
18. [Future of Healthy Food](#)
19. [Weight-loss Drugs](#)
20. [Weight-loss Drug Market](#)
21. [Q3 Earnings Call](#)
22. [Retail Sales](#)
23. [PCE](#)
24. [Unemployment](#)

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Walmart Inc
Value Driver Estimation

Fiscal Years Ending Jan. 31	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
NOPLAT:	19486	17122	18614	22076	16907	15752	16805	19728	24090	27345
Add: Net Sales	510329	519926	555233	567762	605881	646538	688427	731228	772299	813545
Add: Membership and Other	4076	4038	3918	4992	5408	5430	5729	6102	6452	6823
Less: Cost of sales	374623	383618	409163	418342	452776	484768	513590	543743	573354	601745
Less: Operating, selling, general & admi	107147	108791	116288	117812	127140	132359	144248	153084	158989	167719
Less: Depreciation and Amortization	10678	10987	11152	10658	10945	13770	14238	14689	15126	15553
Add: Implied Lease Interest	0	923	739	745	735	711	689	669	651	634
Total EBIT	21957	21491	23287	26687	21163	21782	22769	26483	31932	35985
Adjusted Taxes										
Income Tax Provision	4281	4586	6858	4756	5294	5613	5357	6194	7399	8353
Add: Implied lease interest	0	203	163	164	162	156	152	147	143	139
Add: Tax on Interest Expense	-468	-530	-483	-404	-412	475	500	515	517	576
Add: Tax on Other Gains	-1841	431	46	-660	-338	-200	0	0	0	0
Total Adjusted Taxes	1972	4690	6584	3856	4705	6044	6009	6856	8059	9068
Change in Deferred Taxes	-499	320	1911	-755	449	15	45	101	216	428
Invested Capital (IC):	100194	110617	95259	98157	101970	102761	101548	102800	104850	112442
Operating Current Assets										
Normal Cash	7393	7889	8081	8625	9199	9794	9794	10403	10988	11575
Receivables, net	6283	6284	6516	8280	7933	8150	9024	9217	9734	9844
Inventories	44269	44435	44949	56511	56576	57699	60739	63779	66583	69731
Prepaid expenses & other current ass	3623	1622	20861	1519	2521	2282	2430	2581	2726	2871
Total Operating CA	61568	60230	80407	74935	76229	77925	81986	85980	90031	94022
Operating Current Liabilities										
Normal Cash	7258	7393	7889	8081	8625	9199	9794	10403	10988	11575
Accounts payable	47060	46973	49141	55261	53742	55417	59697	63779	66583	65415
Accrued liabilities	22159	22296	37966	26060	31126	32598	35749	36498	37769	37380
Total Operating CL	76477	76662	94996	89402	93493	97215	105241	110680	115341	114370
Net Working Capital	-14909	-16432	-14589	-14467	-17264	-19290	-23254	-24701	-25309	-20348
Net PPE	104317	105208	92201	94515	100760	104184	107484	110683	113803	116862
Net Other Operating Assets										
Operating lease right-of-use assets	10786	17424	13642	13758	13555	13110	12707	12340	12001	11687
Finance lease right-of-use assets, net	0	4417	4005	4351	4919	4757	4611	4478	4355	4241
Total Net Other Operating Assets	10786	21841	17647	18109	18474	17867	17318	16818	16357	15929
Net Other Operating Liabilities										
Long-term operating lease obligations	0	16171	12909	13009	12828	12406	12026	11678	11358	11060
Long-term finance lease obligations	0	4307	3847	4243	4843	4684	4540	4409	4288	4176
Total Net Other Operating Liabilities	0	20478	16756	17252	17671	17090	16566	16087	15646	15236
Free Cash Flow (FCF):										
NOPLAT	19486	17122	18614	22076	16907	15752	16805	19728	24090	27345
Change in IC	-1522	1842	122	-2797	-2026	-3964	-1446	-609	4961	
FCF	15599	20456	22198	14110	13727	12841	18281	23481	32306	
Return on Invested Capital (ROIC):										
NOPLAT	19486	17122	18614	22076	16907	15752	16805	19728	24090	27345
Beginning IC	100194	110617	95259	98157	101970	102761	101548	102800	104850	
ROIC	17.09%	16.83%	23.17%	17.22%	15.45%	16.35%	19.43%	23.43%	26.08%	
Economic Profit (EP):										
Beginning IC	100194	110617	95259	98157	101970	102761	101548	102800	104850	
x (ROIC - WACC)	-7.18%	9.91%	9.65%	16.00%	10.05%	8.27%	9.17%	12.25%	16.25%	18.90%
EP	9928	10672	15237	9860	8432	9428	12437	16710	19817	

Walmart Inc
Balance Sheet

Fiscal Years Ending Jan. 31	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Cash & cash equivalents	7722	9465	17741	14760	8625	6088	6201	7473	10690	16375
Receivables, net	6283	6284	6516	8280	7933	8150	9024	9217	9734	9844
Inventories	44269	44435	44949	56511	56576	57699	60739	63779	66583	69731
Prepaid expenses & other current assets	3623	1622	20861	1519	2521	2282	2430	2581	2726	2871
Total current assets	61897	61806	90067	81070	75655	74219	78393	83049	89733	98822
Property & equipment, gross	185810	195028	180571	189324	202370	219564	237102	254991	273238	291849
Less: accumulated depreciation	81493	89820	88370	94809	101610	115380	129619	144308	159434	174987
Property & equipment, net	104317	105208	92201	94515	100760	104184	107484	110683	113803	116862
Operating lease right-of-use assets	-	17424	13642	13758	13555	13110	12707	12340	12001	11687
Finance lease right-of-use assets, net	-	4417	4005	4351	4919	4757	4611	4478	4355	4241
Goodwill	31181	31073	28983	29014	28174	28174	28174	28174	28174	28174
Intangible Assets	5800	5200	4900	4800	4300	3925	3550	3175	2800	2425
Deferred Tax Assets	1796	1914	1836	1473	1503	1488	1443	1342	1126	698
Equity Investment	3583	5438	14422	11888	10669	11149	11651	12175	12723	13296
Other long-term assets	3643	4015	2440	3991	3662	3639	3577	3418	2969	1946
Total assets	219295	236495	252496	244860	243197	244645	251590	258834	267685	278151
Short-term borrowings	5225	575	224	410	372	451	474	498	520	544
Accounts payable	47060	46973	49141	55261	53742	55417	59697	63779	66583	65415
Accrued liabilities	22159	22296	37966	26060	31126	32598	35749	36498	37769	37380
Accrued income taxes	428	280	242	851	727	505	482	557	666	752
Operating lease obligations due within one	0	1793	1466	1483	1473	1425	1381	1341	1304	1270
Long-term debt due within one year	1876	5362	3115	2803	4191	3516	2604	2737	1817	5994
Finance lease obligations due within one y	0	511	491	511	567	834	774	712	638	545
Total current liabilities	77477	77790	92645	87379	92198	94746	101162	106122	109298	111900
Long-term debt	43520	43714	41194	34864	34649	34475	36588	37897	39077	40196
Long-term operating lease obligations	0	16171	12909	13009	12828	12406	12026	11678	11358	11060
Long-term finance lease obligations	0	4307	3847	4243	4843	4684	4540	4409	4288	4176
Deferred income taxes & other liabilities	11981	12961	14370	13474	14688	15647	16660	17696	18690	19689
Long-term Liabilities	55501	77153	72320	65590	67008	67212	69813	71679	73413	75121
Redeemable noncontrolling interest	-	-	-	-	237	237	237	237	237	237
Common Equity	3253	3531	3928	5115	5238	5930	6622	7314	7314	7314
Retained earnings (accumulated deficit)	80785	83943	88763	86904	83135	81693	79276	79370	83407	89973
Accumulated other comprehensive income	-11542	-12805	-11766	-8766	-11680	-11680	-11680	-11680	-11680	-11680
Total Walmart Inc. shareholders' equity (de	72496	74669	80925	83253	76693	75943	74218	75004	79042	85607
Noncontrolling interest	7138	6883	6606	8638	7061	6507	6160	5791	5695	5285
Total equity (deficit)	79634	81552	87531	91891	83754	82687	80615	81033	84974	91129

Walmart Inc
Income Statement

Fiscal Years Ending Jan. 31	Q1 '21	Q2 '21	Q3 '21	Q4 '21	FY '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	FY '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	FY '23	Q1 '24	Q2 '24	Q3 '24	Q4 '24	2024E	Q1 '25	Q2 '25	Q3 '25	Q4 '25	2025E	Q1 '26	Q2 '26	Q3 '26	Q4 '26	2026E	Q1 '27	Q2 '27	Q3 '27	Q4 '27	2027E	Q1 '28	Q2 '28	Q3 '28	Q4 '28	2028E
Net sales	133672	136824	133752	150985	555233	137159	139871	130207	151525	567762	140288	151381	151489	162743	605881	151004	160280	161603	173652	646538	160693	170957	171971	184806	688427	170684	181585	182654	196305	731228	180265	191780	192912	207342	772299	189888	202019	203206	218431	813545
Membership & other income	950	918	956	1094	3918	1151	1177	1318	1346	4992	1281	1478	1344	1305	5408	1297	1352	1411	1370	5430	1368	1426	1489	1446	5729	1457	1519	1586	1540	6102	1541	1606	1677	1628	6452	1630	1699	1773	1722	6823
Total revenues	134622	137742	134708	152079	559151	138310	141048	140525	152871	572754	141569	152859	152813	164048	611289	152301	161632	163014	175022	651969	162061	172383	173460	186252	694156	172141	183104	184239	197845	737330	181806	193387	194588	208971	778752	191518	203718	204980	220153	820368
Cost of sales	99307	99846	97568	123594	409163	100611	102542	102373	123474	418342	104167	113139	112858	133557	452776	112439	118945	121478	144393	484620	119925	126701	128361	152726	513475	129106	134124	134771	161244	544555	134536	141656	143023	169266	573354	140765	148714	150045	177774	601745
Depreciation and Amortization	2719	2843	2771	2819	11152	2061	2041	2050	2706	10658	2680	2699	2755	2811	10945	2845	2905	3443	3443	12635	3560	3560	3560	3560	14238	3672	3672	3672	3672	14689	3782	3782	3782	3782	15126	3888	3888	3888	15553	
Operating, selling, general & administr.	27372	28994	28591	31331	116288	28129	28511	29710	31462	117812	29404	30167	34505	33064	127140	30777	32466	33418	35447	132108	32817	35339	39029	37250	144435	34686	37262	41270	39866	153084	36816	37710	43296	41167	158989	38304	41021	45464	42930	167719
Operating income (loss)	5224	6059	5778	5487	22548	6909	7354	5792	5887	25942	5318	6854	2695	5561	20428	6240	7316	4676	4374	22606	5759	6783	2512	6954	22008	4677	8046	4526	7752	25002	6672	10239	4488	9882	31282	8560	10094	5582	11114	35351
Interest expense - debt	510	577	455	434	1976	481	437	408	348	1674	372	395	499	521	1787	494	494	494	494	1976	510	510	510	510	2039	529	529	529	529	2114	532	532	532	532	2129	601	601	601	601	2402
Interest expense - finance lease	82	81	86	90	339	85	78	78	79	320	83	84	85	89	341	60	60	60	60	241	58	58	58	58	233	57	57	57	57	227	55	55	55	55	220	54	54	54	54	215
Interest income (expense), net	-549	-635	-516	-494	-2194	-536	-478	-442	-360	-1836	-419	-448	-500	-507	-1874	557	494	554	554	2159	568	568	568	568	2272	585	585	585	585	2341	587	587	587	587	2349	614	614	654	654	2617
Other (gains) & losses	721	3222	1853	-5586	210	-2529	-953	1207	-725	-3000	-1998	238	-3626	3848	-1538	2995	-3905	0	0	-910	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Income (loss) before income taxes	5396	8646	7115	-593	20564	3844	5923	4147	4782	18696	2901	6644	-1431	8902	17016	2688	10727	5230	4928	21356	6327	7351	3080	7522	19735	5262	8632	5112	8338	22661	7259	10826	5076	10469	28933	9215	10748	6236	11768	32734
Provision (benefit) for income taxes	1322	2207	1914	1415	6858	1033	1559	1015	1149	4756	798	1497	336	2663	5294	792	2674	1151	1084	5701	1392	1617	678	1655	5342	1158	1899	1125	1834	6015	1597	2382	1117	2303	7399	2027	2365	1372	2589	8353
Consolidated net income (loss)	4074	6439	5201	-2008	13706	2811	4364	3132	3633	13940	2103	5147	-1767	5809	11292	1896	8053	4079	3844	15656	4935	5734	2402	5867	14394	4104	6733	3987	6503	16646	5662	8444	3959	8166	21534	7187	8384	4864	9179	24381
Consolidated net income (loss) attri	-84	37	-66	-83	-196	-81	-88	-27	-71	-267	-49	2	-31	466	388	-223	-162	-82	-88	-554	-81	-86	-87	-93	-347	-86	-92	-92	-99	-369	-91	-97	-97	-104	-389	-96	-102	-102	-110	-410
Consolidated net income (loss) attri	3990	6476	5135	-2091	13510	2730	4276	3105	3399	13510	2054	5149	-1798	6275	11680	1673	7891	3998	3757	15102	4854	5648	2315	5774	14047	4018	6641	3895	6404	16277	5571	8348	3862	8062	21144	7092	8282	4762	9069	23971
Year end shares outstanding	2832	2834	2831	2821	2821	2805	2791	2778	2761	2761	2748	2722	2701	2693	2693	2693	2693	2693	2693	2636	2636	2636	2636	2582	2582	2582	2582	2529	2529	2529	2529	2472	2472	2472	2472	2472	2472	2417		
Net income (loss) per share - basic	1.41	2.29	1.81	-0.74	4.77	0.97	1.53	1.11	1.29	4.90	0.75	1.88	-0.66	2.32	4.29	0.62	2.93	1.48	1.39	6.43	1.84	2.14	0.88	2.19	7.05	1.56	2.57	1.51	2.48	8.12	2.20	3.30	1.53	3.19	10.27	2.87	3.35	1.93	3.67	11.81
Dividends declared per common share	0.54	0.54	0.54	0.54	2.16	0.55	0.55	0.55	0.55	2.20	0.56	0.56	0.56	0.56	2.24	0.58	0.58	0.58	0.58	2.32	0.60	0.60	0.60	0.60	2.40	0.62	0.62	0.62	0.62	2.48	0.64	0.64	0.64	0.64	2.57	0.67	0.67	0.67	0.67	2.66

Walmart Inc*Historical Cash Flow Statement*

Fiscal Years Ending Jan. 31	2019	2020	2021	2022	2023
Consolidated net income (loss)	7179	15201	13706	13940	11292
Depreciation & amortization	10678	10987	11152	10658	10945
Unrealized losses & (gains)	-	-1886	-	-	-
Net unrealized & realized losses & (g)	-	-	-8589	2440	1683
Unrealized gain (loss) on investment:	3516	-	-	-	-
Losses (gains) on disposal of busine:	4850	15	8401	433	-
Asda Group Limited ("Asda") pensior	-	-1036	-	-	-
Deferred income taxes	-499	320	1911	-755	449
Loss (gain) on extinguishment of deb	-	-	-	2410	-
Other operating activities	1734	1981	1521	1652	1919
Receivables, net	-368	154	-1086	-1796	240
Inventories	-1311	-300	-2395	-11764	-528
Accounts payable	1831	-274	6966	5520	-1425
Accrued liabilities	183	186	4623	1404	4393
Accrued income taxes	-40	-93	-136	39	-127
Net cash flows from operating activiti	27753	25255	36074	24181	28841
Payments for property & equipment	-10344	-10705	-10264	-13106	-16857
Proceeds from the disposal of proper	519	321	215	394	170
Proceeds from disposal of certain op	876	833	56	7935	-
Payments for business acquisitions, i	-14656	-56	-180	-359	-740
Other investing activities	-431	479	102	-879	-295
Net cash flows from investing activiti	-24036	-9128	-10071	-6015	-17722
Net change in short-term borrowings	-53	-4656	-324	193	-34
Proceeds from issuance of long-term	15872	5492	-	6945	5041
Repayments of long-term debt	-3784	-1907	-5382	-13010	-2689
Premiums paid to extinguish debt	-	-	-	-2317	-
Dividends paid	-6102	-6048	-6116	-6152	-6114
Purchase of company stock	-7410	-5717	-2625	-9787	-9920
Dividends paid to noncontrolling inter	-431	-555	-434	-424	-444
Sale of subsidiary stock	-	-	-	3239	66
Purchase of noncontrolling interest	-	-	-	-	-827
Other financing activities	-629	-908	-1236	-1515	-2118
Net cash flows from financing activiti	-2537	-14299	-16117	-22828	-17039

Walmart Inc*Forecasted Cash Flow Statement*

Fiscal Years Ending Jan. 31	2024E	2025E	2026E	2027E	2028E
Net Income	14790	14103	16911	21144	23971
Receivables, net	-217	-874	-193	-518	-110
Inventories	-1123	-3039	-3040	-2804	-3148
Prepaid expenses & other current as	239	-148	-151	-145	-146
Depreciation Expense	13770	14238	14689	15126	15553
Intangible Assets	375	375	375	375	375
Deferred Tax Assets	15	45	101	216	428
Accumulated other comprehensive ir	0	0	0	0	0
Accounts Payable	1675	4280	4082	2804	-1168
Accrued Liabilities	1472	3151	749	1272	-389
Accrued Income Taxes	-222	-23	75	108	86
Net Cash Flows from Operating Activities	30775	32108	33597	37580	35452
Operating lease right-of-use assets	445	402	367	338	314
Finance lease right-of-use assets, ne	162	146	133	123	114
Equity Investment	-480	-502	-524	-548	-573
Capital Expenditures	-17194	-17538	-17889	-18247	-18611
Other Long-term Assets	23	62	160	449	1023
Long-term debt	-174	2113	1309	1180	1119
Deferred income taxes & other liabilit	959	1012	1036	994	999
Noncontrolling interest	-554	-347	-369	-96	-410
Redeemable noncontrolling interest	0	0	0	0	0
Cash from Investing Activities	-16813	-14651	-15777	-15806	-16025
Short-term borrowing	79	24	24	22	25
Long-term operating lease obligation	-422	-381	-348	-320	-297
Long-term finance lease obligations	-159	-144	-131	-121	-112
Common Stock Issuance	692	692	692	0	0
Stock Repurchases	-10218	-10524	-10840	-11165	-11500
Operating lease obligations due withi	-48	-44	-40	-37	-34
Long-term debt due within one year	-675	-912	133	-920	4177
Finance lease obligations due within	267	-60	-62	-74	-93
Dividends	-6112	-6195	-6280	-6355	-6431
Cash from Financing Activities	-16596	-17544	-16852	-18970	-14267

Walmart Inc
Common Size Balance Sheet

Fiscal Years Ending Jan. 31	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Cash & cash equivalents	1.50%	1.81%	3.17%	2.58%	1.41%	0.92%	0.85%	0.93%	1.24%	1.81%
Receivables, net	1.22%	1.20%	1.17%	1.45%	1.30%	1.25%	1.30%	1.25%	1.25%	1.20%
Inventories	8.61%	8.48%	8.04%	9.87%	9.26%	8.85%	8.75%	8.65%	8.55%	8.50%
Prepaid expenses & other current as	0.70%	0.31%	3.73%	0.27%	0.41%	0.35%	0.35%	0.35%	0.35%	0.35%
Total current assets	12.03%	11.80%	16.11%	14.15%	12.38%	11.37%	48.19%	47.83%	51.15%	52.23%
Property & equipment, gross	36.12%	37.22%	32.29%	33.06%	33.11%	33.68%	34.16%	34.58%	35.09%	35.58%
Less: accumulated depreciation	15.84%	17.14%	15.80%	16.55%	16.62%	17.70%	18.67%	19.57%	20.47%	21.33%
Property & equipment, net	20.28%	20.08%	16.49%	16.50%	16.48%	15.98%	15.48%	15.01%	14.61%	14.25%
Operating lease right-of-use assets	0.00%	3.33%	2.44%	2.40%	2.22%	2.01%	1.83%	1.67%	1.54%	1.42%
Finance lease right-of-use assets, n	0.00%	0.84%	0.72%	0.76%	0.80%	0.73%	0.66%	0.61%	0.56%	0.52%
Property under capital lease & finan	1.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Goodwill	6.06%	5.93%	5.18%	5.07%	4.61%	4.32%	4.06%	3.82%	3.62%	3.43%
Intangible Assets	1.13%	0.99%	0.88%	0.84%	0.70%	0.60%	0.51%	0.43%	0.36%	0.30%
Deferred Tax Assets	0.35%	1.54%	1.41%	1.15%	1.06%	0.23%	0.21%	0.18%	0.14%	0.09%
Equity Investment	0.70%	4.39%	11.06%	9.29%	7.53%	1.71%	1.68%	1.65%	1.63%	1.62%
Other long-term assets	0.71%	0.77%	0.44%	0.70%	0.60%	0.56%	0.52%	0.46%	0.38%	0.24%
Total assets	42.63%	45.14%	45.16%	42.75%	39.78%	37.51%	36.20%	35.02%	34.24%	33.72%
Short-term borrowings	1.02%	0.11%	0.04%	0.07%	0.06%	0.30%	0.07%	0.07%	0.07%	0.07%
Accounts payable	9.15%	8.96%	8.79%	9.65%	8.79%	8.50%	8.60%	8.65%	8.55%	8.40%
Accrued liabilities	4.31%	4.26%	6.79%	4.55%	5.09%	5.00%	5.15%	4.95%	4.85%	4.80%
Accrued income taxes	0.08%	0.05%	0.04%	0.15%	0.12%	9.00%	9.00%	9.00%	9.00%	9.00%
Operating lease obligations due with	0.00%	0.34%	0.26%	0.26%	0.24%	0.94%	0.20%	0.18%	0.17%	0.15%
Long-term debt due within one year	0.36%	1.02%	0.56%	0.49%	0.69%	2.31%	1.61%	1.68%	1.04%	0.92%
Finance lease obligations due withir	0.00%	0.10%	0.09%	0.09%	0.09%	0.13%	0.11%	0.10%	0.08%	0.07%
Total current liabilities	15.06%	14.85%	16.57%	15.26%	15.08%	14.53%	14.57%	14.39%	14.03%	13.64%
Accumulated other comprehensive i	8.88%	9.39%	7.92%	6.60%	6.48%	6.07%	5.70%	5.37%	5.08%	4.82%
Long-term debt	8.46%	8.34%	7.37%	6.09%	5.67%	5.29%	5.27%	5.14%	5.02%	4.90%
Long-term operating lease obligatio	0.00%	3.09%	2.31%	2.27%	2.10%	1.90%	1.73%	1.58%	1.46%	1.35%
Long-term finance lease obligations	0.00%	0.00%	0.00%	0.00%	0.79%	0.72%	0.65%	0.60%	0.55%	0.51%
Long-term capital lease & financing	1.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred income taxes & other liabil	2.33%	2.47%	2.57%	2.35%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Redeemable noncontrolling interest	0.00%	0.00%	0.00%	0.00%	0.04%	0.04%	0.03%	0.03%	0.03%	0.03%
Common stock	0.06%	0.05%	0.05%	0.05%	0.04%	0.91%	0.95%	0.99%	0.94%	0.89%
Capital in excess of par value	0.00%	0.62%	0.65%	0.84%	0.81%	0.00%	0.00%	0.00%	0.00%	0.00%
Retained earnings (accumulated de	15.70%	16.02%	15.87%	15.17%	13.60%	12.52%	11.38%	10.68%	10.58%	10.78%
Accumulated other comprehensive i	-2.2%	-10.3%	-9.0%	-6.8%	-8.2%	-1.8%	-1.7%	-1.6%	-1.5%	-1.4%
Total Walmart Inc. shareholders' eqi	14.1%	60.3%	62.1%	65.0%	54.1%	11.6%	10.6%	10.1%	10.8%	10.2%
Noncontrolling interest	1.4%	5.6%	5.1%	6.7%	5.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Total equity (deficit)	15.5%	15.6%	15.7%	16.0%	13.7%	12.7%	11.6%	10.9%	10.8%	10.9%

Walmart Inc
Common Size Income Statement

[illegible]

Walmart Inc*Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	4.95%
Beta	0.53
Equity Risk Premium	5.00%
Cost of Equity	7.60%

ASSUMPTIONS:

10-year T-bond
5-year weekly beta
HF Team Assumption

Cost of Debt:

Risk-Free Rate	4.95%
Implied Default Premium	0.19%
Pre-Tax Cost of Debt	5.14%
Marginal Tax Rate	22%
After-Tax Cost of Debt	4.01%

10-year Treasury bond

YTM on company's 10

Market Value of Common Equity:

Total Shares Outstanding	2693
Current Stock Price	\$155.35
MV of Equity	418,358

MV Weights

87.65%

Market Value of Debt:

Short-Term Borrowing	372
Long-term finance lease obligations	4843
Finance lease obligations due within on	567
Current Portion of LTD	4191
Long-Term Debt	34649
PV of Operating Leases	14301
MV of Total Debt	58,923

12.35%

Market Value of the Firm

477,280.55

100.00%

Estimated WACC

7.16%

Walmart Inc*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	26.08%
WACC	7.16%
Cost of Equity	7.60%

Fiscal Years Ending Jan. 31	2024E	2025E	2026E	2027E	2028E	
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DCF Model:

Free Cash Flow (FCF)	13727	12841	18281	23481	32306	
Continuing Value (CV)						530924
PV of FCF	12810	11183	14858	17809	22866	375782
Value of Operating Assets:	454257					
Non-Operating Adjustments						
ESOP	-785					
Short-Term Debt	-372					
Current Portion of LTD	-4191					
Long-Term Debt	-34649					
PV of Operating Leases	-14301					
Long-term finance lease obligations	-4843					
Finance lease obligations due within one year	-567					
Equity Investment	10669					
Non-controlling Interest	7298					
Value of Equity	412516					
Shares Outstanding	2693					
Intrinsic Value of Last FYE	\$ 153.18					
Implied Price as of Today	\$ 160.59					

EP Model:

Economic Profit (EP)	8455	9451	12460	16733	19841	
Continuing Value (CV)						426074
PV of EP	7890	8231	10127	12691	14043	301570
Total PV of EP	354552					
Invested Capital (last FYE)	101970					
Value of Operating Assets:	456522					
Non-Operating Adjustments						
ESOP	-785					
Short-Term Debt	-372					
Current Portion of LTD	-4191					
Long-Term Debt	-34649					
PV of Operating Leases	-14301					
Long-term finance lease obligations	-4843					
Finance lease obligations due within one year	-567					
Equity Investment	10669					
Non-controlling Interest	7298					
Value of Equity	414781	2264.7				
Shares Outstanding	2693					
Intrinsic Value of Last FYE	\$ 154.02					
Implied Price as of Today	\$ 161.47					

Walmart Inc*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

<i>Fiscal Years Ending Jan. 31</i>	2024E	2025E	2026E	2027E	2028E
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EPS	\$ 6.32	\$ 7.07	\$ 8.36	\$ 10.22	\$ 11.81
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Key Assumptions

CV growth of EPS	2.50%
CV Year ROE	28.18%
Cost of Equity	7.60%

Future Cash Flows

P/E Multiple (CV Year)

EPS (CV Year) 17.87

Future Stock Price \$ 11.81

Dividends Per Share	\$ 2.32	\$ 2.40	\$ 2.48	\$ 2.57	\$ 211.10
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Discounted Cash Flows	\$ 2.15	\$ 2.07	\$ 1.99	\$ 1.92	\$ 146.36
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Intrinsic Value as of Last FYE \$ 154.50


Implied Price as of Today

\$ 161.97

Walmart Inc

Relative Valuation Models

Ticker	Company	Price	EPS 2023E	EPS 2024E	P/E 23	P/E 24
COST	Costco Wholesale Corp.	\$552.93	\$15.67	\$17.10	35.29	32.34
KR	The Kroger Co.	\$44.13	\$4.52	\$4.47	9.76	9.87
TGT	Target Corporation	\$108.83	\$7.57	\$8.97	14.38	12.13
CART	Instacart	\$24.85	(\$10.50)	\$0.48	(2.37)	51.77
DG	Dollar General Corporat	\$115.22	\$7.49	\$7.76	15.38	14.85
Average					18.70	24.19

	WAL Walmart Inc	\$164.88	\$6.32	\$7.07	26.1	23.3
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Implied Relative Value:

P/E (EPS23) \$ 118.11

P/E (EPS24) \$ 171.13

Walmart Inc
Key Management Ratios

Fiscal Years Ending Jan. 31	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Liquidity Ratios:									
Current Ratio ((CA-Inventory)/CL)	0.22	0.49	0.28	0.21	0.17	0.17	0.18	0.21	0.26
Cash Ratio (Cash/CL)	0.12	0.19	0.17	0.09	0.06	0.06	0.07	0.10	0.15
Quick Ratio ((Cash+A/R)/CL)	0.20	0.26	0.26	0.18	0.15	0.15	0.16	0.19	0.24
Asset-Management Ratios:									
Total Asset Turnover (Net income/Avg. Total Assets)	0.09	0.08	0.08	0.07	0.09	0.08	0.09	0.11	0.12
Fixed Asset Turnover (Net income/Avg. Fixed Assets)									
A/R Turnover	0.10	0.09	0.10	0.10	0.11	0.12	0.11	0.11	0.10
Financial Leverage Ratios:									
Debt to Equity (D/E)	0.89	0.72	0.62	0.70	0.70	0.72	0.73	0.69	0.70
Debt to Assets (D/A)	0.31	0.25	0.23	0.24	0.24	0.23	0.23	0.22	0.23
Asset to Equity (TA/TSE)	2.90	2.88	2.66	2.90	2.96	3.12	3.19	3.15	3.05
Profitability Ratios:									
Return on Equity (NI/Beg TSE)	25.26%	25.22%	21.36%	18.52%	25.02%	23.95%	29.11%	35.68%	38.48%
Return on Assets (NI/TA)	6.3%	5.4%	5.5%	4.8%	6.0%	5.6%	6.5%	7.9%	8.6%
Gross Profit Margin ((Sales-COGS)/Sales)	6.0%	6.0%	6.4%	5.1%	5.3%	5.2%	5.5%	6.0%	6.2%
Payout Policy Ratios:									
Dividend Payout Ratio (Dividend/EPS)	41%	45%	44%	52%	37%	34%	30%	25%	23%

Walmart Inc
Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares): 16.22
 Average Time to Maturity (years): 3.00
 Expected Annual Number of Options Exercised: 5.41

Current Average Strike Price: \$ 128.01
 Cost of Equity: 7.60%
 Current Stock Price: \$155.35

Fiscal Years Ending Jan. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Increase in Shares Outstanding:	5.41	5.41	5.41	0.00	0	0	0	0	0	0
Average Strike Price:	\$ 128.01	\$ 128.01	\$ 128.01	\$ 128.01	\$ 128.01	\$ 128.01	\$ 128.01	\$ 128.01	\$ 128.01	\$ 128.01
Increase in Common Stock Account:	692	692	692	-	-	-	-	-	-	-
Share Repurchases (\$)	-10,118	-10,321	-10,527	-10,738	-10,952	-11,172	0	0	0	0
Expected Price of Repurchased Shares:	\$ 155.35	\$ 164.97	\$ 175.18	\$ 186.02	\$ 197.54	\$ 209.76	\$ 222.75	\$ 236.54	\$ 251.18	\$ 266.73
Number of Shares Repurchased:	(65)	(63)	(60)	(58)	(55)	(53)	-	-	-	-
Shares Outstanding (beginning of the year)	2,693	2,633	2,576	2,521	2,464	2,408	2,355	2,355	2,355	2,355
Plus: Shares Issued Through ESOP	5	5	5	0	0	0	0	0	0	0
Less: Shares Repurchased in Treasury	(65)	(63)	(60)	(58)	(55)	(53)	-	-	-	-
Shares Outstanding (end of the year)	2,633	2,576	2,521	2,464	2,408	2,355	2,355	2,355	2,355	2,355

Walmart Inc*Valuation of Options Granted under ESOP*

Current Stock Price	\$155.35
Risk Free Rate	4.95%
Current Dividend Yield	1.41%
Annualized St. Dev. of Stock Returns	27.71%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	16	128.01	3.00	\$ 48.38	\$ 785
Total	16	\$ 128.01	3.00	\$ 53.57	\$ 785